

House File 707 - Introduced

HOUSE FILE _____
BY FORD

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the payment of wages by electronic funds
2 transfer pursuant to a payroll card and making penalties
3 applicable.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 2780HH 82
6 ak/es/88

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1 1 Section 1. Section 91A.2, Code 2007, is amended by adding
1 2 the following new subsection:
1 3 NEW SUBSECTION. 6A. "Payroll card" means a card issued by
1 4 a financial institution that enables the cardholder to
1 5 transfer the underlying funds to a merchant at the merchant's
1 6 point of sale terminal or to obtain cash by electronic access
1 7 to the underlying funds through an automated teller machine or
1 8 other electronic terminal authorized by the cardholder. For
1 9 the purpose of this subsection, "underlying funds" means the
1 10 amount of funds received from an employer by the issuing
1 11 financial institution in exchange for the issuance of the
1 12 payroll card to an employee.

1 13 Sec. 2. Section 91A.3, subsection 3, Code 2007, is amended
1 14 to read as follows:

1 15 3. The wages paid under subsection 1 shall be sent to the
1 16 employee by mail or be paid at the employee's normal place of
1 17 employment during normal employment hours or at a place and
1 18 hour mutually agreed upon by the employer and employee, or the
1 19 employee may elect to have the wages ~~sent for direct deposit~~
1 20 paid through electronic funds transfer, on or by the regular
1 21 payday of the employee, pursuant to direct deposit into a
1 22 financial institution designated by the employee or pursuant
1 23 to a payroll card issued by a federally insured financial
1 24 institution.

1 25 a. An employee hired on or after July 1, 2005, may be
1 26 required, as a condition of employment, to participate in
1 27 direct deposit of the employee's wages in a financial
1 28 institution of the employee's choice unless any of the
1 29 following conditions exist:

1 30 a- (1) The costs to the employee of establishing and
1 31 maintaining an account for purposes of the direct deposit
1 32 would effectively reduce the employee's wages to a level below
1 33 the minimum wage provided under section 91D.1.

1 34 b- (2) The employee would incur fees charged to the
1 35 employee's account as a result of the direct deposit.

2 1 c- (3) The provisions of a collective bargaining
2 2 agreement mutually agreed upon by the employer and the
2 3 employee organization prohibit the employer from requiring an
2 4 employee to sign up for direct deposit as a condition of hire.

2 5 b. If the employer fails to send an employee's wages for
2 6 direct deposit on or by the regular payday in accordance with
2 7 this subsection, the employer is liable for the amount of any
2 8 overdraft charge if the overdraft is created on the employee's
2 9 account because of the employer's failure to send the wages on
2 10 or by the regular payday.

2 11 c. An employer shall not pay wages pursuant to a payroll
2 12 card pursuant to this section prior to paying to the issuing
2 13 financial institution an amount equal to the wages due the
2 14 employee plus any fees relating to the issuance of the payroll
2 15 card charged by the financial institution. An employee may
2 16 cancel an election to accept payment of wages by a payroll
2 17 card by delivering a written notice of cancellation to the
2 18 employer not less than ten days prior to the next payment of
2 19 wages. Wages paid pursuant to a payroll card shall be made

2 20 available to the employee on and after the employee's regular
2 21 payday and subject to the disposable earnings limitations from
2 22 garnishment under section 537.5105.

2 23 EXPLANATION

2 24 This bill relates to the payment of wages by use of a
2 25 payroll card. The bill defines a "payroll card" as a card
2 26 that enables the cardholder to transfer the underlying funds
2 27 to a merchant at the merchant's point of sale terminal or to
2 28 obtain cash by electronic access to the underlying funds
2 29 through an automated teller machine or other electronic
2 30 terminal authorized by the cardholder. The bill defines
2 31 "underlying funds" as the amount of funds received from an
2 32 employer by the issuing financial institution in exchange for
2 33 the issuance of the payroll card to an employee.

2 34 The bill allows the payment of wages to an employee by
2 35 electronic funds transfer pursuant to a payroll card issued by
3 1 a federally insured financial institution. Prior to paying
3 2 wages by a payroll card, an employer must deposit with the
3 3 financial institution issuing the payroll card an amount of
3 4 funds equal to the wages owed to the employee plus any fees
3 5 relating to the issuance of the payroll card that are charged
3 6 by the financial institution. The bill provides that an
3 7 employee may cancel the employee's election to accept payment
3 8 of wages by a payroll card upon written notice delivered to
3 9 the employer within 10 days prior to the next payment of wages
3 10 due the employee by the employer. Wages paid pursuant to a
3 11 payroll card are required to remain available to the employee
3 12 on and after the employee's regular payday and are subject to
3 13 garnishment only to the extent provided under Code section
3 14 537.5105.

3 15 A violation of any provision of Code chapter 91A is subject
3 16 to a civil penalty of not more than \$100 per violation.

3 17 LSB 2780HH 82

3 18 ak:nh/es/88